

Harrington Group
CERTIFIED PUBLIC ACCOUNTANTS, LLP

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YOUTH FOR CHANGE

**FINANCIAL STATEMENTS,
SUPPLEMENTAL SCHEDULE,
and
ADDITIONAL INFORMATION**

DECEMBER 31, 2008



DATE RECEIVED:



AUDIT REVIEW #(s) 04861

Assigned To: In

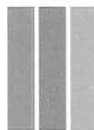
Date Reviewed: 7/7/09

Reviewer's Initials: jl

Date Review(s) Completed: 7/7/09

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Youth for Change

We have audited the accompanying Statement of Financial Position of Youth for Change (a nonprofit organization) as of December 31, 2008 and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Youth for Change's December 31, 2007 financial statements and in our report dated May 21, 2008 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Youth for Change's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Youth for Change as of December 31, 2008 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2009 on our consideration of Youth for Change's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Youth for Change taken as a whole. The accompanying Schedule of Expenditures of Federal and Non-federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as whole.



San Francisco, California
June 12, 2009

YOUTH FOR CHANGE

STATEMENT OF FINANCIAL POSITION

December 31, 2008

With comparative totals at December 31, 2007

	2008	2007
Assets		
Cash and cash equivalents (Note 2)	\$ 846,337	\$ 1,278,033
Accounts receivable	1,545,843	1,667,843
Other receivables	26,053	26,326
Prepaid expenses	147,614	128,335
Other asset (Note 13)	32,536	32,536
Property and equipment (Note 3)	3,441,648	3,634,939
Total assets	<u>\$ 6,040,031</u>	<u>\$ 6,768,012</u>
Liabilities and net assets		
Liabilities		
Accounts payable	\$ 175,318	\$ 165,035
Accrued liabilities (Note 4)	570,169	384,272
Accrued pension liability (Note 5)	156,627	149,285
Due to government (Note 6)	118,932	131,800
Deferred revenue (Note 7)	8,770	85,084
Lines of credit (Note 8)	55,000	599,832
Notes payable (Note 9)	2,154,470	2,237,864
Total liabilities	<u>3,239,286</u>	<u>3,753,172</u>
Net assets		
Unrestricted - undesignated (Note 2)	1,486,536	1,759,997
Unrestricted - board designated (Note 2)	1,314,209	1,118,956
Temporarily restricted (Note 2)	<u>-</u>	<u>135,887</u>
Total net assets	<u>2,800,745</u>	<u>3,014,840</u>
Total liabilities and net assets	<u>\$ 6,040,031</u>	<u>\$ 6,768,012</u>

The accompanying notes are an integral part of these financial statements.

YOUTH FOR CHANGE

STATEMENT OF ACTIVITIES

For the year ended December 31, 2008

With comparative totals for the year ended December 31, 2007

	Unrestricted	Temporarily Restricted	2008	2007
Revenue and support				
Fees from government agencies (Note 11)	\$ 6,947,648	\$ -	\$ 6,947,648	\$ 6,723,640
Program service fees (Note 12)	531,095		531,095	643,277
Rent income	97,857		97,857	103,923
Other income	43,705		43,705	93,440
Interest income	32,470		32,470	22,056
Contributions	31,735		31,735	186,279
Café income - net of cost of goods sold			-	6,456
Net assets released from program restrictions	135,887	(135,887)	-	-
Gain (loss) on disposal of equipment	(13,350)		(13,350)	(11,304)
Total revenue and support	7,807,047	(135,887)	7,671,160	7,767,767
Expenses				
Program services	6,898,980		6,898,980	6,656,899
Management and general	986,275		986,275	1,053,780
Total expenses	7,885,255	-	7,885,255	7,710,679
Change in net assets	(78,208)	(135,887)	(214,095)	57,088
Net assets, beginning of year	2,878,953	135,887	3,014,840	2,957,752
Net assets, end of year	\$ 2,800,745	\$ -	\$ 2,800,745	\$ 3,014,840

The accompanying notes are an integral part of these financial statements.

YOUTH FOR CHANGE

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2008

With comparative totals for the year ended December 31, 2007

	Program Services	Management and General	Total Expenses 2008	2007
Salaries	\$ 3,518,925	\$ 501,963	\$ 4,020,888	\$ 3,548,850
Employee benefits	715,507	97,434	812,941	659,988
Payroll taxes	294,166	42,273	336,439	326,330
Total personnel costs	4,528,598	641,670	5,170,268	4,535,168
Professional fees	305,372	65,760	371,132	317,392
Child related expenses	303,259	661	303,920	497,076
Foster parent payments	282,034		282,034	319,630
Depreciation	159,431	57,276	216,707	216,123
Travel	194,117	12,310	206,427	161,503
Interest	149,701	19,876	169,577	229,223
Supplies	142,074	15,270	157,344	150,639
Rent	126,531	8,282	134,813	143,808
Repairs and maintenance	111,473	11,996	123,469	276,769
Vehicle operations	70,904	21,606	92,510	78,148
Miscellaneous	65,916	23,801	89,717	109,262
Conferences and meetings	86,454	3,054	89,508	94,126
Food	83,999		83,999	73,359
Utilities	71,854	6,303	78,157	81,099
Insurance	43,736	28,212	71,948	81,064
Expendable equipment	43,685	23,778	67,463	138,380
Telephone	52,349	13,859	66,208	59,162
Postage	28,281	3,029	31,310	41,217
Staff training	9,297	8,646	17,943	15,384
Advertising	8,662	8,480	17,142	23,513
Dues and subscriptions	11,815	4,174	15,989	19,811
Equipment lease	4,469	7,997	12,466	13,633
Licenses and permits	7,254	235	7,489	17,294
Payroll processing	6,663		6,663	8,742
Holiday expenses	1,052		1,052	9,154
Total 2008 functional expenses	<u>\$ 6,898,980</u>	<u>\$ 986,275</u>	<u>\$ 7,885,255</u>	
Total 2007 functional expenses	<u>\$ 6,656,899</u>	<u>\$ 1,053,780</u>		<u>\$ 7,710,679</u>

The accompanying notes are an integral part of these financial statements.

YOUTH FOR CHANGE

STATEMENT OF CASH FLOWS

For the year ended December 31, 2008

With comparative totals for the year ended December 31, 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ (214,095)	\$ 57,088
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	216,707	216,123
Loss on disposal of property and equipment	13,350	11,304
Capitalization of assets purchased through government funds	17,616	-
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	122,000	(84,278)
Decrease in other receivables	273	59,949
(Increase) in prepaid expenses	(19,279)	(7,769)
Increase in accounts payable	10,283	68,382
Increase in accrued liabilities	185,897	23,141
(Decrease) increase in due to government	(12,868)	131,800
Increase in accrued pension liability	7,342	18,906
(Decrease) in deferred revenue	(76,314)	(26,562)
Net cash provided by operating activities	250,912	468,084
Cash flows from investing activities:		
Purchase of property and equipment	(54,382)	(225,205)
Proceeds from disposal of equipment	-	3,300
Collections on note receivable	-	2,647
Net cash (used) by investing activities	(54,382)	(219,258)
Cash flows from financing activities:		
Principal payments on notes payable	(83,394)	(77,966)
Net payments on lines of credit	(544,832)	24,453
Net cash (used) by financing activities	(628,226)	(53,513)
Net increase (decrease) in cash and cash equivalents	(431,696)	195,313
Cash and cash equivalents, beginning of year	1,278,033	1,082,720
Cash and cash equivalents, end of year	\$ 846,337	\$ 1,278,033
Supplemental disclosures:		
Operating activities reflects interest paid of:	\$ 169,577	\$ 276,769
Acquisition of property and equipment with notes payable:	\$ -	\$ 13,844

The accompanying notes are an integral part of these financial statements.

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

1. Organization

Youth for Change is a non-profit public benefit corporation organized and operated exclusively for charitable purposes and has established its tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Established in 1991, the Youth for Change team has continually developed collaborative programs that embrace creative, innovative, and efficient ways to build healthier communities.

Youth for Change's programs have continually expanded to address the needs of the community. Starting with three residential homes for eighteen emotionally disturbed children, Youth for Change has added an additional residential home, a non-public school, a full-day mental health rehabilitation program, a foster family agency, and a transitional housing program.

In collaboration with other public and non-profit agencies and organizations, Youth for Change operates many community-based programs that strengthen the community. Youth for Change is a specialty mental health provider for children and families of Butte County. Current community programs include a family resource center, in-home wrap around services, a family preservation and in-home support program, an elementary school-based counseling program, child abuse treatment services, and therapeutic behavioral services. Youth for Change also provides consultation and technical assistance to family resource centers throughout Northern California through a state funded program called Strategies (training and technical assistance).

Youth for Change's programs and services are funded by fundraisers, private charitable donations, county, state, and federal government agencies, and grants from foundations and corporations.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Youth for Change are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Unrestricted – Undesignated. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Unrestricted – Board Designated. These are resources that the Board of Directors has established as being designated for operations. For purposes of complying with net asset accounting, these funds are included in unrestricted net assets at December 31, 2008.

Temporarily Restricted. Youth for Change reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. Youth for Change has no temporarily restricted net assets at December 31, 2008.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Youth for Change to expend all of the income (or other economic benefits) derived from the donated assets. Youth for Change has no permanently restricted net assets at December 31, 2008.

Cash and Cash Equivalents

Youth for Change has defined cash and cash equivalents as cash in banks, certificates of deposits with an original maturity of twelve months or less, and money market funds in a securities institution.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts is deemed necessary nor has been provided.

Contributions and Pledges Receivable

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenue in the period received. Youth for Change reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

Concentration of Credit Risks

Youth for Change places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Youth for Change has not incurred losses related to these investments.

The primary receivable balance outstanding at December 31, 2008 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of Youth for Change's receivables consist of earned fees from contract programs granted by governmental agencies.

Donated Materials and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. Youth for Change received donations during the fiscal year ended December 31, 2008 which met the criteria for recording.

Income Taxes

Youth for Change is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Functional Allocation of Expenses

Costs of providing Youth for Change's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Youth for Change uses direct cost to allocate indirect costs.

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Youth for Change's financial statements for the year ended December 31, 2007 from which the summarized information was derived.

Reclassification

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

3. Property and Equipment

Property and equipment at December 31, 2008 consist of the following:

Land	\$ 1,055,547
Buildings	2,871,228
Leasehold improvements	356,759
Furniture and equipment	296,586
Vehicles	<u>314,958</u>
	4,895,078
Less: accumulated depreciation	<u>(1,453,430)</u>
	<u>\$ 3,441,648</u>

4. Accrued Liabilities

Accrued liabilities at December 31, 2008 consist of the following:

Accrued salary	\$262,071
Other accrued liabilities	158,357
Accrued vacation	<u>149,741</u>
	<u>\$570,169</u>

continued

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

5. Accrued Pension Liability

Effective January 1, 1994, Youth for Change adopted a defined contribution plan available to employees who have attained twenty-one years of age, completed one year of service, worked 1,000 hours in the current year, and are employed on the last day of the plan year. The Board of Directors determines contributions to the plan annually. The accrued pension liability of \$156,627 at December 31, 2008 represents the employer contribution under this plan for the year ended December 31, 2008.

6. Due to Government

Due to government represents the net book value of assets purchased by Youth for Change with government funds in which Youth for Change does not retain ownership. The total amount due to government as of December 31, 2008 was \$118,932, and the corresponding asset is recorded in property and equipment at December 31, 2008. This account changes with the purchase of assets with state funds and the recorded depreciation on such assets.

7. Deferred Revenue

Deferred revenue for the year ended December 31, 2008 consists of the following:

Child Abuse Treatment Program	<u>\$8,770</u>
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8. Lines of Credit

Youth for Change has a line of credit, with a bank, in the amount of \$200,000, with an interest rate of 6.5%, due June 2009. The outstanding balance as of December 31, 2008 was \$55,000.

Youth for Change has a line of credit, with a bank, in the amount of \$200,000, with an interest rate of 6.0%, due October 2009. There was no outstanding balance as of December 31, 2008.

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

9. Notes Payable

Notes payable at December 31, 2008 consist of the following:

Note payable to a bank, secured by real property, monthly payments of \$11,912, including interest at 6.5%, due September 2034.	\$1,276,005
Note payable to a bank, secured by real property, monthly payments of \$1,926, including interest at 6.00%, due September 2009.	271,462
Note payable to a bank, secured by real property, monthly payments of \$1,249, including interest at 7.00%, due January 2013.	157,268
Note payable to a bank, secured by real property, monthly payments of \$878, including interest at 8.00%, due April 2010.	95,012
Note payable to a bank, secured by real property, monthly payments of \$1,423, including interest at 7.88%, due June 2015.	86,635
Note payable to a bank, secured by real property, monthly payments of \$1,459, including interest at 6.50%, due February 2014.	76,667
Note payable to a bank, secured by real property, monthly payments of \$1,372, including interest at 6.50%, due February 2014.	72,090
Note payable to a bank, secured by real property, monthly payments of \$1,112, including interest at 7.50%, due February 2009.	52,971
Note payable to a bank, secured by real property, monthly payments of \$840, including interest at 6.50%, due February 2014.	44,112
Note payable to a bank, secured by vehicle, monthly payments of \$282, including interest at 8.00%, due June 2012.	10,267

continued

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

9. Notes Payable, continued

Note payable to a bank, secured by vehicle, monthly payments of \$278, including interest at 8.00%, due June 2011. 6,903

Note payable to a bank, secured by vehicle, monthly payments of \$227, including interest at 7.00%, due December 2010. 5,078
\$2,154,470

Maturities for notes payable are as follows:

<u>Year ended December 31,</u>	
2009	\$ 396,754
2010	163,974
2011	73,490
2012	76,780
2013	212,873
Thereafter	<u>1,230,599</u>
	<u>\$2,154,470</u>

10. Commitments and Contingencies

Obligations Under Operating Leases

Youth for Change leases various facilities under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended December 31,</u>	
2009	\$115,727
2010	85,887
2011	81,887
2012	81,887
2013	<u>71,208</u>
	<u>\$436,596</u>

Rent expense under operating leases for the year ended December 31, 2008 was \$134,813.

continued

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

10. Commitments and Contingencies, continued

Contracts

Youth for Change's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Youth for Change has no allowance for the possible disallowance of program costs on its financial statements.

11. Fees From Government Agencies

Fees from government agencies for the year ended December 31, 2008 consist of the following:

Mental health programs	\$1,700,300
Residential program	1,634,125
Foster family program	873,641
Strategies	781,839
Wraparound services	762,410
LINKS/6 th Street Drop-In & Shelter	626,153
Child abuse treatment program	146,317
Target case management	139,177
CARS	107,253
Children services	72,804
Adoption services	40,800
Other contracts	40,599
Nutrition program	<u>22,230</u>
	<u>\$6,947,648</u>

12. Program Service Fees

Program service fees for the year ended December 31, 2008 consist of the following:

School district revenue	\$476,311
Strategies – training workshops	<u>54,784</u>
	<u>\$531,095</u>

continued

YOUTH FOR CHANGE

NOTES TO FINANCIAL STATEMENTS

13. Related Party Transactions

In 2003, Youth for Change, together with six other agencies including the Boys and Girls Club of North Valley, formed The Paradise Youth Sports and Family Center Corporation, a non-profit organization. The over-arching concept is to design a complex of co-located facilities and open space for youth and their families in Paradise, California that meet both the individual and collective needs and services of the partners. Youth for Change's investment in the partnership for the year ended December 31, 2008 was \$32,536.

Youth for Change leases property from the Boys and Girls Club of North Valley, one of the six partners of The Paradise Youth Sports and Family Center Corporation. Lease payments to the Boys and Girls Club of North Valley for the year ended December 31, 2008 were \$57,827.

14. Subsequent Events

Subsequent to year end Youth for Change sold the Nunneley Land for which the original intent was to be used as the new site for a group home. The transaction closed escrow during the last week of April, 2009. The financial statements as of December 31, 2008 do not include any adjustment that resulted from this transaction.

SUPPLEMENTAL SCHEDULE

YOUTH FOR CHANGE

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended December 31, 2008

	Federal CFDA Number	Governmental Revenue		Program Expenditures From Governmental Revenue
		Federal	Non-federal	
Federal awards				
Agency/Program Grant Title				
Major awards				
U.S. Department of Health and Human Services:				
Pass-through, various counties:				
Medical Assistance Program	93.778	\$ 850,150	\$ 850,150	\$ 1,700,300
Total major awards		850,150	850,150	1,700,300
Non-major awards				
U.S. Department of Health and Human Services:				
Pass-through, State of California, Department of Human Services:				
Foster Care - Title IV-E	93.658	430,590	2,077,176	2,507,766
U.S. Department of Justice:				
Pass-through, California Governor's Office of Emergency Services:				
Child Abuse Treatment Program	16.575	141,917		141,917
Corporation for National and Community Service:				
AmeriCorps	94.006	12,426		12,426
U.S. Department of Agriculture/California State Department of Education:				
National school lunch program	10.555	12,227		12,227
School breakfast program	10.553	10,003		10,003
Total non-major awards		607,163	2,077,176	2,684,339
Total federal and non-federal awards		\$ 1,457,313	\$ 2,927,326	\$ 4,384,639

Summary of Significant Accounting Policies

1. Basis of Accounting - The Schedule of Expenditures of Federal and Non-federal Awards has been reported on the accrual basis of accounting.
2. Youth for Change is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors report.

ADDITIONAL INFORMATION



J. Joseph Harrington
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CERTIFIED PUBLIC ACCOUNTANTS, LLP

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

**To the Board of Directors
Youth for Change**

We have audited the financial statements of Youth for Change as of and for the year ended December 31, 2008 and have issued our report thereon dated June 12, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting. In planning and performing our audit, we considered Youth for Change's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Youth for Change's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Youth for Change's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Youth for Change's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Youth for Change's financial statements that is more inconsequential will not be prevented or detected by Youth for Change's internal control.

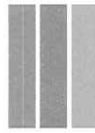
A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Youth for Change's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters. As part of obtaining reasonable assurance about whether Youth for Change's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

San Francisco, California
June 12, 2009



J. Joseph Harrington
Emeritus

Harrington Group
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Job M. Quesada
Sean E. Cain
Tonetta L. Conner

**Report on Compliance With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in Accordance With
OMB Circular A-133**

**To the Board of Directors
Youth for Change**

Compliance. We have audited the compliance of Youth for Change with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Youth for Change's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility Youth for Change's management. Our responsibility is to express an opinion on Youth for Change's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Youth for Change's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Youth for Change's compliance with those requirements.

In our opinion, Youth for Change complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance. The management of Youth for Change is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Youth for Change's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on the effectiveness of internal control over compliance. According, we do not express an opinion on the effectiveness of Youth for Change's internal control over compliance.

A *control deficiency* in Youth for Change's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects Youth for Change's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not prevent or detected by Youth for Change's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Youth for Change's internal control.

Our consideration of internal control over compliance was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.


San Francisco, California
June 12, 2009

YOUTH FOR CHANGE
Schedule of Findings and Questioned Costs
For the year ended December 31, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:		unqualified
Internal control over financial reporting:		
• Material weakness(es) identified?	____yes	__x__no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____yes	__x__none reported
Noncompliance material to financial statements noted?	____yes	__x__no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	____yes	__x__no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	____yes	__x__none reported
Type of auditor’s report issued on compliance for major programs:		unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____yes	__x__no
Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	__x__yes	____no

Identification of Major Programs:

CFDA Number(s)
93.778

Name of Federal Program or Cluster
U.S. Department of Health and Human Services:
Pass-through, various counties:
Medical Assistance Program

Section II – Financial Statements Findings

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs for Federal awards as defined in OMB Circular A-133.

Section IV – Summary Schedule of Prior Year Findings

None.



CALIFORNIA EMERGENCY MANAGEMENT AGENCY
LOCAL ASSISTANCE MONITORING BRANCH
3650 SCHRIEVER AVENUE
MATHER, CALIFORNIA 95655
PHONE: (916) 845-8120 FAX: (916) 845-8380



June 19, 2009

Audit # 04861

Ms. Jaclin Brugnano
CHAT Clinical Director
Youth for Change
6249 Skyway
Paradise, CA 95969

SUBJECT: AUDIT REPORT FOR THE PERIOD(S) ENDED JUNE 30, 2008
FIPS #007-90502

Dear Ms. Brugnano:

The California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) is required to monitor its subrecipients of federal and state grant awards to determine if they are in compliance with federal and state regulations and laws and grant guidelines. Per the OES [CalEMA] 2006 Recipient Handbook Section 8000 et seq., "...OES requires all organizations receiving an OES Grant Award(s) be audited (via a single audit, financial statement audit in accordance with Government Auditing Standards (GAS), or grant specific audit)... Recipients expending total federal or state awards of less than \$25,000 per year are exempt from performing a financial audit." Audit reports must be submitted to CalEMA within nine months after the end of the audit period.

To date, your organization's audit report for the year ended June 30, 2008 has not been received by CalEMA as required. Accordingly, CalEMA is requesting that you check one of the following options, as listed, and return a signed copy of this letter to the address shown above within 30 days of its date, along with all appropriate documentation regarding your organization's compliance with the audit requirement. If your audit has been completed and findings were noted in the report, please include a summary of your management responses and corrective actions taken. In addition, please submit a copy of any separate letter to management mentioned in the audit report.

<input checked="" type="checkbox"/>	We have completed our audit for fiscal year(s) ended <u>12/31/08</u> . A copy of the audit report(s) is enclosed.
<input type="checkbox"/>	We expect our audit for fiscal year(s) ended _____ will be completed by _____. A copy of our audit report along with our management responses and corrective actions taken related to any findings will be forwarded to CalEMA within 30 days of receipt of the report.
<input type="checkbox"/>	We are not subject to the audit requirement because: _____ We expend less than \$25,000 in federal and state grant awards annually _____ Other (please explain) _____ _____

Ms. Brugnano
CHAT Clinical Director
Youth for Change
June 19, 2009
Page 2

<input type="checkbox"/>	We submitted a copy of our report(s) to CalEMA for the period ended _____ on _____.
	The audit report(s) identified Findings and/or Significant Deficiencies: <input type="checkbox"/> Yes <input type="checkbox"/> No
	The audit report(s) referenced a separate Management Letter which was also forwarded to CalEMA. <input type="checkbox"/> Yes <input type="checkbox"/> No

This is to certify that, to the best of our knowledge and belief, the data furnished above is accurate, complete and current.

Andy Martinez
Type or Print Name
Andy Martinez
Date Signature

Financial officer
Title
7-2-09

If you have any questions regarding this issue, please contact our office at (916) 845-8120.

Sincerely,

Catherine Lewis

CATHERINE LEWIS
INTERIM BRANCH CHIEF